# The Survivor Benefit Plan (SBP)

# GOAL

***CHANGE....*** **MISINFORMATION**

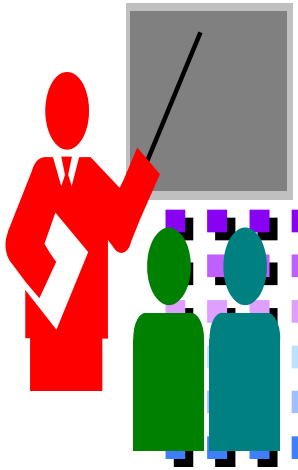
**BY**

***MISINFORMED*** **MARINES**

***INTO.....*** **INFORMATION**

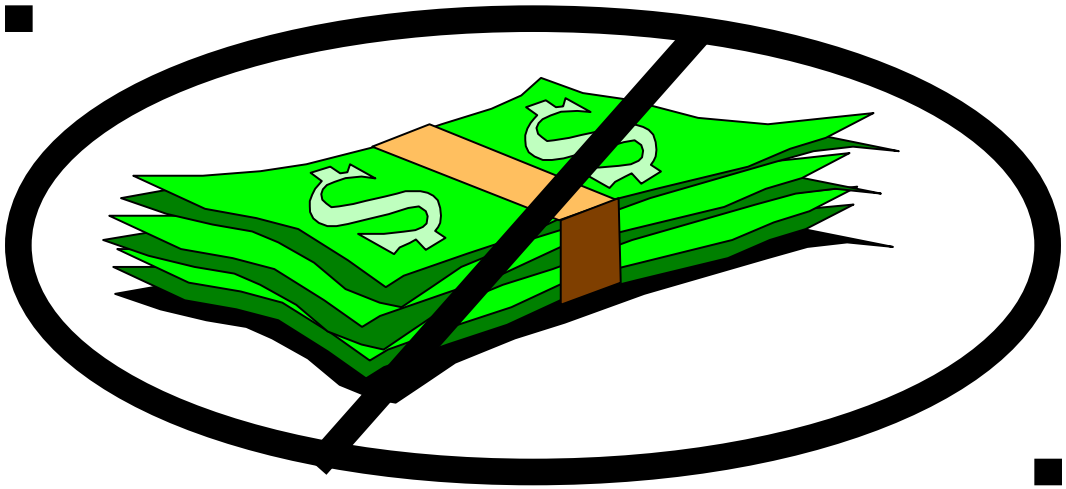
**BY**

***INFORMED*** **MARINES**



# RETIRED PAY

# STOPS



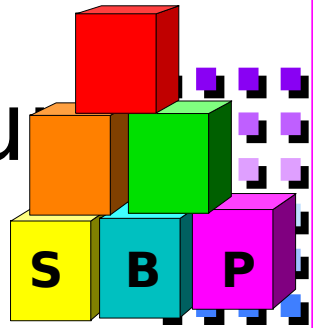
# WHEN THE RETIREE DIES!

# What Is SBP?

- Enacted by Congress in 1972
- Sole means for retiree to continue a portion of retired pay to survivors
- All service members covered while on active duty for FREE!
- Joint decision at retirement -- gov't begins to share cost
- SBP provides:
  - annuity of 55%--flows from "base amount"

# SBP's Intent

- To provide a benefit when Social Security is not yet payable;
- To supplement Social Security when it is payable; and
- To provide a plan to build u

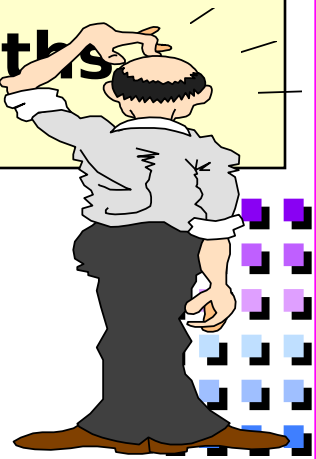


# Why Law Requires Spouse Be Informed?

- Spouse **automatically** covered at the highest level when the member dies on active duty at **NO COST**
- Member & spouse decide whether or not to continue full coverage into retirement
- Spouse concurrence **REQUIRED** in any election that terminates or decreases the active duty coverage
- Law requires both member and spouse be fully informed of the options and effects of the SBP
  - So member can make an informed SBP decision
  - So spouse understands implications of member's decision

# About Elections

- Must be made ***before*** retirement
- Certain elections need concurrence
- Generally irrevocable
  -- (however, may be cancelled with spouse concurrence between months 25-36 following retirement)

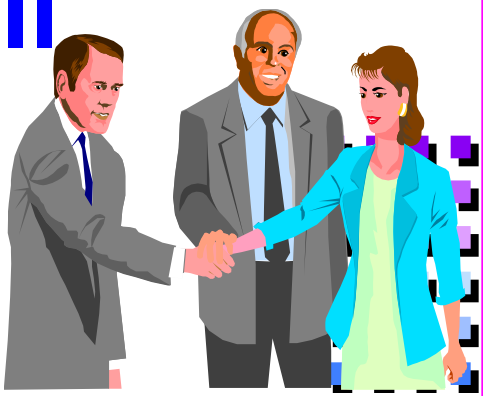


# A "JOINT" Decision For Married Marines Who . . . .

-- Decline coverage

-- Cover less than full retired pay

-- Elect "child only"



# New Termination Feature

- Can terminate after 2 years of retirement
- One-time, 1 year window between 25th

  and 36th mo. after start of retired pay
- Spouse concurrence
- Barred from future enrollment
- No refund of past premiums
- Why the law changed?

# At two year mark, ask yourself:

**1) Is my retired pay still a major part of my family's security?**

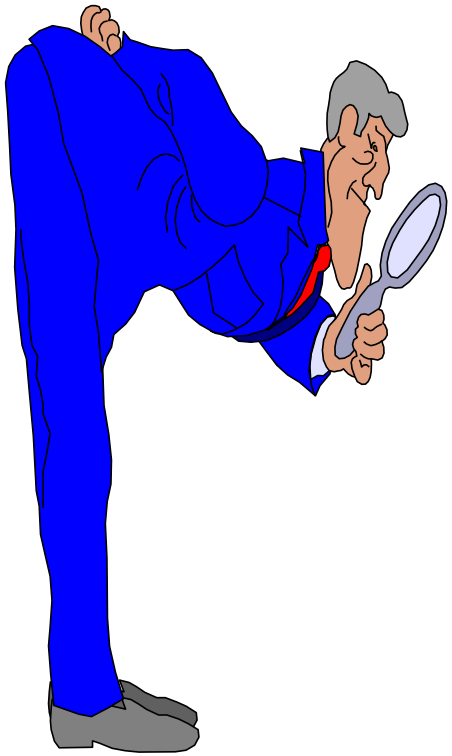
**2) Have I adjusted my lifestyle to incorporate the cost of SBP?**

- If **YES**, let your participation ride.
- If **NO**, discuss termination with your spouse, whose concurrence you need, and take action to disenroll.

# What Is A Base Amount?

- Base amount is the amount that determines:
  - the monthly cost to the member and
  - the annuity paid to the survivor

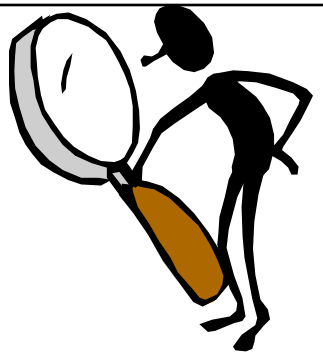
- Retiree selects the base amount:
  - Highest -- full gross retired pay
  - Lowest -- $300 by law
  - may choose any amount between



# Six Election Options

- Spouse Only
- Spouse & Child(ren)
- Child(ren) Only
- Former Spouse Only
- FS & Child(ren)
- Insurable Interest

# Six Election Options



1. **Spouse only:**
   - Annuity paid forever (unless remarriage occurs pre-55 → suspended); cannot be outlived
   - If pre-55 remarriage ends, annuity is reinstated

2. **Child(ren) only:**
   - Under 18 or until 22 if unmarried, full time student
   - Permanently disabled child receives annuity for **LIFE!**

3. **Spouse and Child(ren):**
   - Spouse is primary beneficiary
   - Children receive payments only if spouse becomes ineligible due to death or remarriage before age 55

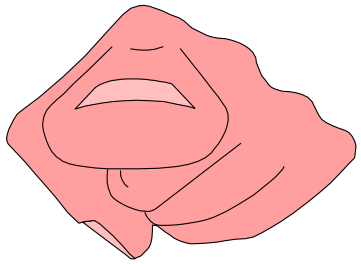
# Six Election Options (cont.)

4. **Former spouse only:**
   - Can be volunteer, per written agreement, or directed

5. **Former spouse and child(ren):**
   - Only the member's and that former spouse's children

6. **Insurable Interest Person:**
   - Only when no spouse or one child at retirement
   - Relative closer than a cousin
     - » No proof required
   - OR Person with financial interest in retiree
     - » Proof: life insurance beneficiary, joint property owners

# Advice-- Seriously Consider Child Coverage!



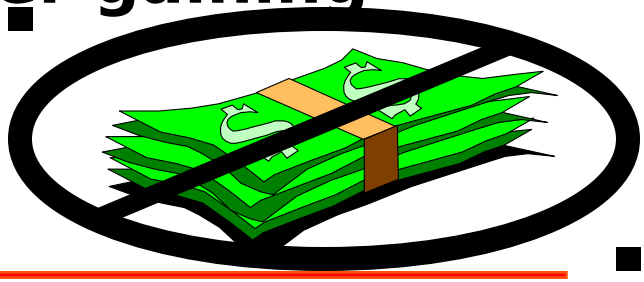
Q: Why bother to cover my 21-year old son who graduates from college soon?

A: Because....

- ✔ incapacitation may occur while still eligible
- ✔ “closing” the child category when there are eligible children closes it forever
- ✔ family complete? perhaps a step-, grand-, foster- or natural child is in your future

# Decline Coverage

- Upon member's death, no payments made to anyone
- Beneficiaries excluded at retirement can not be covered in the future unless there is an open enrollment
  - If member has no eligible spouse or child at retirement, coverage must be elected within 1st year after gaining beneficiary



# Automatic Coverage Provision

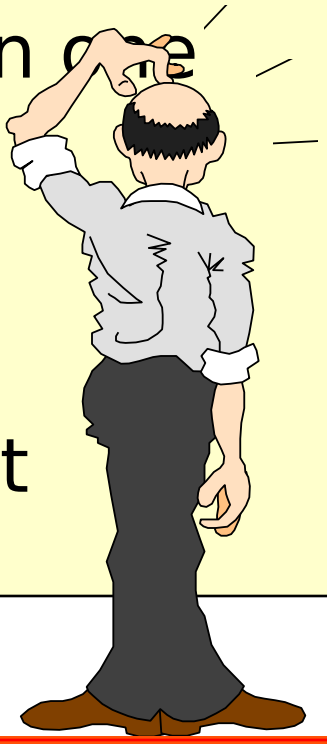
- Spouse concurrence required when married member elects:
  - **No spouse coverage**
  - **Reduced spouse coverage**
  - **Child only coverage**
  - **Reduced spouse and child coverage**
  - **To decline coverage**
- Concurrence valid only if dated after member's election but before retirement
- DFAS establishes **maximum coverage** if required concurrence not obtained/DD 2656 not received prior to retirement

# No Beneficiary at Retirement?

-- Decision whether or not to enroll new family members MUST be made within one year of gaining them

-- New spouse becomes eligible at 1-yr anniversary

(No costs incurred until then)



# Active Duty Coverage

- Established by PL 107-107 to correct inequities in benefits provided to survivors
- MARDMINS 294/02 and 135/03 contain detailed instructions on requirements for Active Duty Deaths
- Line of duty (LoD) deaths
  - Based on 75% of Base Pay
- Not in the line of duty
- Retirement-eligible

# How much does SBP cost?

**Spouse Only:** 6.5% of base amount selected (in general)

**Examples:**

| | | | |
|---|---|---|---|
| Base Amount: | $ 520 | $1200 | $2000 |
| Cost: | $ 13 | $ 78 | $ 130 |
| Annuity (55%): | $ 286 | $ 660 | $ 1100 |

**Lower of either:**

(1) 6.5 percent of the designated base amount

**OR**

(2) if the elected base amount is less than **$1,172** as of 1 Jan 02, take 2.5 percent of the first $547* of the elected base amount plus 10 percent of the remaining base amount (see Examples).

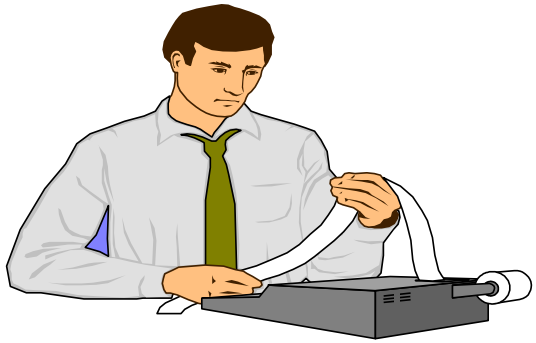
# SBP Cost

**Children Only:** based on age of member and youngest child.

Less expensive than spouse coverage.

**Spouse and children:** Spouse cost plus additional amount for the  for the children (usually minute). Additional child cost is based on age of member, spouse and youngest child.

- A cost computation can be obtained by contacting an SBP counselor or visiting Counselor's Hooch in the Retired Activities website. Costs and annuities are subject to COLAs.



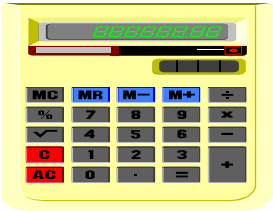
# "Threshold" Amount

Portion of base amount which costs 2.5%

- Increases by same % as AD COLA
- $547 (eff. 1 Jan 02)
- Instead of a $300 base, cover $547 at 2.5%

| | Base Annuity | Cost | |
|---|---|---|---|
| Threshold | $547 | $13.67 | $301 |
| Minimum | $300 | $ 7.50 | $165 |

# SBP's Real Cost



| | NO SBP | SBP |
|---|---|---|
| Retired Pay | $2,000 | $2,000 |
| SBP Cost | $ 0 | $ 130 |
| Taxable Pay | $2,000 | $1,870 |
| Tax Paid (28%) | $ **560** | $ **524** |
| Annuity | $ 0 | $1,100 |

*** This non-participant actual "pays" $36/mo in the form of**

**unrealized tax savings.....with the survivor getting $0.**

# Can I Tailor SBP To Meet My Needs? Yes….Think "Base Amount"

**Challenge:** What base amount should I cover to meet our needs?

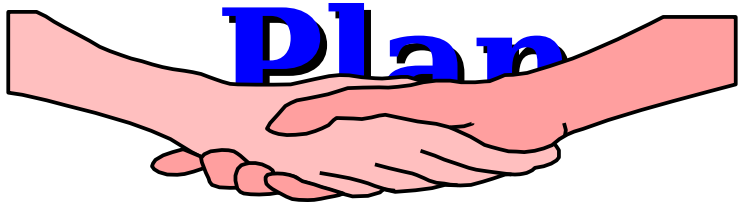
**Solution:** Divide the goal amount by

**Examples:**

$800 annuity -- choose $1455 as base

$400 annuity -- choose $727 as base

# Government-Subsidized Plan



## Percentage of Total Cost Paid

| | | |
|---|---|---|
| Officers | 60% | Gov't 40% |
| Enlisted | 52% | Gov't 48% |
| Overall | 56% | Gov't 44% |

# "30-Year Paid-Up Provision"

- **Effective 1 Oct 2008**
- **No further cost (but annuity payable) *after…***

**-- 30 years of paying premiums…**
**AND**
**-- reaching age 70**

# Unbeatable Features

- Government subsidized plan
- Tax-free premiums
- Inflation-adjusted (COLAs)
- Flexible:  can terminate between years 2 & 3
- “Paid up” after 30 years premiums + age 70
- Cannot outlive annuity
- Age,  health,  smoking, sex, lifestyle -- not considered
- Cost does not include extra fees
- Premiums suspended if NO beneficiary
- Can only be changed by Congress
- Age of spouse not a factor in member’s costs
- Income safety net; peace of mind

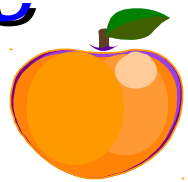
# Authorized Changes After Retirement

- Members with no spouse or child at retirement may elect SBP **within one year** after gaining either/both
- DFAS must be notified **within one year** of acquiring family member
- Member may disenroll between the 2nd and 3rd year after retirement

# More Authorized Changes

- Cost & coverage suspended when beneficiary loses eligibility
- Suspended cost and coverage reestablished for new spouse unless member requests not to resume spouse coverage before that date
- Additional child(ren) acquired after retirement are automatically covered if child coverage previously elected
  - No change in costs

# 4 Main Points When Comparing SBP to Life Insurance



- It takes a **surprising** amount of insurance to do for the spouse what SBP will (based on averages).
- It will take **a lot more** insurance if the spouse outlives the retiree by the longest period of time.
- The amount of insurance needed over time **rises due to inflation**.
- Even though insurance may appear to be an inexpensive “alternative” at retirement, it’s **harder to obtain & increasingly expensive** as you age.

# Life Insurance Proceeds-- How Long Do They Last?

**(Ret Pay = $2000/mo; Life Insurance = $100K; Member dies in 2005)**

| Year | Spouse Age | Insurance Proceeds | After-Tax SBP Benefit |
|---|---|---|---|
| 2005 | 40 | $100,000 | $11,220 |
| 2010 | 45 | $ 61,767 | $13,007 |
| 2015 | 50 | $ 1,445 | $15,079 |
| *2016* | *51* | *$ 0* | *$15,531* |
| 2020 | 55 | $ 0 | $17,480 |
| 2025 | 60 | $ 0 | $20,265 |
| 2030 | 65 | $ 0 | $14,950 |
| 2035 | 70 | $ 0 | $17,331 |

# One Young Widow's View

## (actual letter)

"....each day I thank my late husband for his taking SBP...it allows me to live with decency and independent of others....the utility bills have not changed with the loss of my husband....minor home repair and car maintenance now must be done by others and it becomes a major burden.... the loss of a partner impacts on the objectivity of spending money, especially for major items....the life insurance was only a supplement to SBP, because $100,000 or

# SBP Endorsement

“We endorse SBP because we feel it is in the best interest of the retiree. We have examined SBP very carefully and concluded that SBP does what it is designed to do better -- and with less risk -- than any alternative we, or any other company could devise.”

**(BG Robert F. McDermott, USAF Ret**
**Former Chairman, USAA)**

# DoD Actuary's Advice to Retiring Males

Men can't go far wrong taking the maximum SBP. The situations for them where the threshold amount of SBP is not worth it are rare. The older you are, the more you want SBP. The younger your spouse is, the more you want SBP. The worse your health is, the more you want SBP.

(Advice based on expected values and numerous statistics)

# DoD Actuary's Advice to Retiring Females

"....I cannot, in good conscience, advise ***all*** female retirees that it is always a good financial decision to take maximum SBP. If you are approximately the same age as your husband, taking SBP is a relatively better choice than if you are 6 or 8 years younger. However, I think female retirees would be very foolish not to take the time and effort to find out what the valuation software advises in their particular case."

# Member's Responsibilities

- At least 60 days before retirement
  - Complete DD Form 2656 containing critical pay data
  - Obtain spouse's concurrence (if required)
  - Maximum SBP coverage established if valid election not received before retirement date
- After retirement, promptly notify DFAS promptly of changes:
  - In bank or correspondence address
  - In marital status or family members that affect existing or desired SBP coverage

# Complete DD Form 2656

***Sections I to VIII:*** Payment data for retired pay

***Section IX:*** SBP Election

- Beneficiary Categories
- Level of Coverage

***Section XI:*** SBP Spouse Concurrence

- Required when member is married & elects child(ren) only coverage, does not elect full spouse coverage, or declines coverage. ***Requires witness signature (on same date)***

***Section XII:*** Certification

- Member's signature. ***Requires witness signature (on same date)***

**** Regulation: US Code, Title 10 ****

# Submitting DD Form 2656

***Retirement 2-3 months out-***

***Fax:*** ***(800) 469-6559***

***Mail:*** ***Defense Finance and Accounting Service***
***US Military Retirement Pay***
***PO Box 7130***
***London, KY 40742-7130***
***--also use for retiree correspondence***

***Retirement 1 month or less-***

***Fax:*** ***(216) 522-5589 Attn: New Accounts***

# For More SBP Information….

***Log on to:***

www.usmc.mil

**Click on: *Career*, *Retired*, *SBP***

***POC:***

***Mr.Combs Comm: (703) 784-9310/11/12***

***Capt Cordero DSN: 278-XXXX***

***Mr.Walker Toll free: (800) 336-4649***

# Questions